

United States Attorney Southern District of New York

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U.S. ANNOUNCES CHARGES IN CONNECTION WITH SECRET KICKBACKS TO THE IRAQI GOVERNMENT RELATED TO THE UNITED NATIONS' OIL-FOR-FOOD PROGRAM

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK J. MERSHON, the Assistant Director in Charge of the New York Office of the FBI ("FBI"), announced the unsealing today of a superseding Indictment arising from a scheme to obtain oil under the United Nations' Oil-for-Food Program by paying millions of dollars in secret kickbacks to Saddam Hussein's regime in Iraq. The superseding Indictment names three individuals and three corporate entities in addition to persons and entities previously charged.

The three newly charged individuals are OSCAR S. WYATT, JR., a Texas business executive and the former Chairman of the Board of Directors of the Coastal Corporation, CATALINA del SOCORRO MIGUEL FUENTES, a/k/a "Cathy Miguel," a Swiss business executive, and MOHAMMED SAIDJI, a Swiss business executive. The three newly charged corporate entities are NAFTA PETROLEUM COMPANY LIMITED and MEDNAFTA TRADING COMPANY LIMITED (collectively, the "WYATT FOREIGN COMPANIES"), two Cyprus-based oil trading companies operated by MIGUEL and SAIDJI in close consultation with WYATT, and SARENCO, S.A., a Swiss consulting firm operated by MIGUEL and SAIDJI.

According to the superseding Indictment, WYATT, MIGUEL, and SAIDJI obtained oil under the United Nations' Oil-for-Food Program by paying millions of dollars in secret kickbacks to Saddam

Hussein's regime in Iraq. These kickbacks were allegedly paid to the Government of Iraq for oil allocated by the Saddam Hussein regime to the WYATT FOREIGN COMPANIES and the Coastal Corporation.

As set forth in the Indictment, the United Nations imposed comprehensive economic sanctions on Iraq following its 1990 invasion of Kuwait. These sanctions were modified by the United Nations Security Council's April 14, 1996 adoption of Resolution 986, which authorized the Government of Iraq to sell oil, provided that the proceeds from any oil sales were deposited into a United Nations-monitored bank account in Manhattan. Funds deposited into that account were to be used only for the purchase of humanitarian goods to benefit the Iraqi people. The price at which Iraqi oil was sold under the Oil-for-Food Program — the Official Selling Price — was recalibrated regularly as advised by a group of oil "overseers" at the United Nations.

However, as stated in the Indictment, Saddam Hussein's regime chose who purchased the oil and who sold the humanitarian goods. Iraqi oil could be purchased in the first instance only by people or entities that had been granted — or "allocated" — the right to buy Iraqi oil by the Government of Iraq.

During December 1996, WYATT, on behalf of the Coastal Corporation, allegedly received the first allocation of oil approximately 11.35 million barrels - awarded by the Government of Iraq under the Oil-for-Food Program. During the fall of 2000, while WYATT was Chairman of the Board of Directors of the Coastal Corporation, Coastal representatives were allegedly told by Iragi officials that any future allocations of Iraqi oil would be provided only on the condition that the recipients pay an illegal surcharge to the Saddam Hussein regime. It is alleged that these payments were not made to the United Nations-monitored bank account from which humanitarian goods could be purchased for the Iraqi Rather, it is alleged, these surcharge payments were people. illegal kickbacks made - in violation of United Nations sanctions and United States criminal law - to front companies and bank accounts designated and controlled by the Saddam Hussein regime.

During the operation of the surcharge scheme, WYATT, MIGUEL, and SAIDJI allegedly continued to obtain allocations of millions of barrels oil from the Government of Iraq. In exchange for their oil allocations, WYATT, MIGUEL, and SAIDJI allegedly directed millions of dollars in illegal surcharge payments to the Government of Iraq. To conceal these payments, WYATT, MIGUEL, and SAIDJI caused them to be made in cash to a bank account in Jordan controlled by the Government of Iraq. For example, as stated in the Indictment, over the course of three days during August of 2001, WYATT, MIGUEL, and SAIDJI caused over \$500,000 in cash to be deposited into the

referenced Jordanian bank account, and from March 27, 2002 through April 1, 2002 WYATT, MIGUEL, and SAIDJI caused over one million euros, again in cash, to be deposited into the Jordanian bank account controlled by the Government of Iraq.

In another example described in the Indictment, WYATT caused SARENCO, S.A. to make an illegal surcharge payment of approximately \$200,000 to the Saddam Hussein regime, in connection with oil obtained from the Government of Iraq by the Coastal Corporation during the year 2000. After causing this payment to be made, WYATT allegedly sought reimbursement for the payment from the Coastal Corporation's successor, El Paso Energy Corporation. Speaking on a recorded telephone line, WYATT allegedly asked an El Paso representative whether El Paso had approved reimbursement to SARENCO, S.A. of the \$200,000 surcharge he had already paid.

WYATT's alleged participation in Iraq's surcharge scheme was not limited to making kickback payments. As set forth in the Indictment, WYATT lobbied the United Nations to select an Official Selling Price at a level that would allow recipients of oil allocations to pay the required surcharge and still retain a profit for themselves. A below-market Official Selling Price would enable the Government of Iraq to collect the illegal surcharges on oil allocated pursuant to the Oil-for-Food Program. In lobbying the United Nations, WYATT allegedly conspired with Iraqi officials and with DAVID B. CHALMERS, JR, who was named in the first Indictment in this case.

If convicted of the charges contained in the Indictment, WYATT, MIGUEL, and SAIDJI would each face a maximum imprisonment of 62 years and a maximum fine of one million dollars or twice the gain or loss resulting from their offenses. If convicted, the WYATT FOREIGN COMPANIES and SARENCO, S.A., would each be required to pay a maximum fine of two million dollars or twice the gain or loss resulting from their offenses. The defendants would also be required to make restitution to the victims of their criminal conduct — namely, the Iraqi people. The Indictment also announces the Government's intention to seek criminal forfeiture of at least one billion dollars in assets from the defendants.

The superseding Indictment adds these defendants to charges brought during April 2005 against three other business people and two other corporate entities: DAVID B. CHALMERS, JR., a Texas businessman; two entities in which CHALMERS was the sole shareholder, BAYOIL (USA), INC., an oil company based in Texas, and BAYOIL SUPPLY & TRADING LIMITED, a Bahamas company (collectively,

the "BAYOIL COMPANIES"); and two individuals who worked with CHALMERS to purchase Iraqi oil for the BAYOIL COMPANIES, JOHN IRVING, a British citizen, and LUDMIL DIONISSIEV, a Bulgarian citizen and legal permanent resident of the United States, currently residing in Houston, Texas.

WYATT was arrested this morning at his home in Houston, Texas and was presented before a United States Magistrate Judge in Houston. He is scheduled to be arraigned on October 27, 2005 at 12:00 p.m. before United States District Judge DENNY CHIN in Manhattan federal court. MIGUEL and SAIDJI are Swiss citizens, and the United States Attorney's Office is pursuing their extradition.

Mr. GARCIA stated, "The Oil-For-Food Program was designed to provide humanitarian relief to the Iraqi people; these defendants undermined those relief efforts to line their own pockets with oil profits."

Mr. GARCIA praised the Federal Bureau of Investigation's Criminal and Counterintelligence Divisions. He also expressed appreciation to the United States Treasury Department, Office of Foreign Assets Control for their assistance in this investigation.

Assistant United States Attorneys EDWARD O'CALLAGHAN, STEPHEN MILLER, and MICHAEL FARBIARZ are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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